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Message Text

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ACTION OPIC-06

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TO SECSTATE WASHDC 6930

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FOR OPIC

E.O. 11652: NA
TAGS: BEXP, EINV, NU
SUBJECT: REQUEST FOR POLITICAL RISK INVESTMENT INSURANCE BY
TENNESSEE HANDBAGS, INC.

1. MR. FRANK LONG, WHO RECENTLY ARRIVED IN MANAGUA AS TENNESSEE HANDBAGS' NICARAGUAN MANAGER, SPOKE WITH EMBOFF CONCERNING THE FIRM'S PROJECT. THROUGH DONA CARTERA S.A., A WHOLLY-OWNED SUBSIDIARY, TENNESSEE HANDBAGS IS ESTABLISHING AN ASSEMBLY OPERATION IN MANAGUA'S FREE TRADE ZONE LOCATED NEXT TO LAS MERCEDES INTERNATIONAL AIRPORT. CUT PIECES OF VINYL WILL BE IMPORTED FROM THE U.S., TO BE STITCHED-SEWN-AND-FINISHED INTO LADIES' HANDBAGS. ALL PRODUCTION WILL BE EXPORTED TO THE U.S. THE FACTORY IS SCHEDULED TO OPEN ON AUGUST 1, 1978.

2. DONA CARTERA, S.A., IS PRESENTLY WORKING WITH NICARAGUAN MINISTRY OF LABOR TO RECRUIT WORKERS. APPROXIMATELY 250 PERSONS WILL BE EMPLOYED WITHIN TWO YEARS. THREE NICARAGUAN NATIONAS ARE CURRENTLY BEING TRAINED IN THE U.S. AND WILL EVENTUALLY HAVE RESPONSIBILI-TIES AS THE PRODUCTION FOREMAN, THE MAINTENANCE FOREMAN, AND OFFICE MANAGER. ASSEMBLY WORKERS WILL BE PAID AT THE LEGAL MINIMUM WAGES (APPROXIMATELY US0.38 PER HOUR) UNTIL THEY ARE WELL ENOUGH TRAINED TO BE PAID ACCORDING TO THE NUMBER OF ARTICLES PRODUCED.

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3. FIRM PLANS EVENTUALLY (I.EN AFTER TWO OR THREE M MONTHS OF PRODUCTION) TO BUY LEATHER FROM LOCAL TANNERY AND COMMENCE CUT-STITCH
-
AND-SEW OPERATION OF LEATHER HANDBAGS.

4. TENNESSEE HANDBAGS CURRENTLY HAS THREE VINYL AND LEATHER HANDBAG FACTORIES IN DANDRIDGE, TENNESSEE, WHICH EMPLOY OVER 600 WORKERS.

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K-MART IS THE FIRM'S LARGEST SINGLE CUSTOMER, ALTHOUGH J.C. PENNEY AND SEARS ALSO BUY FROM THEM. THE FIRM MAINTAINS SHOWROOMS IN ATLANT, NEW YORK AND OTHER CITIES.

5. EMBOFF ASKED LONG WHY TENNESSEE HANDBAGS HAD DECIDED TO LOCATE OVERSEAS. (THIS IS THEIR FIRST OFF-SHORE VENTURE). HE SAID THAT THE FIRM WAS ATTRACTED BY THE LOW WAGE RATES AVAILABLE OUTSIDE THE U.S. AND THAT THE FIRM WAS INTERESTED IN LOCATING NEAR A SOURCE OF TANNED LEATHER.

6. EMBASSY HAS NO OBJECTION TO PROJECT ON A PURELY BUSINESS BASIS. THE FREE TRADE ZONE HAS THE REPUTATION OF BEING WELL AND PROFESSIONALLY RUN. HOWEVER, OPIC MAY WISH TO EXPLORE FURTHER THE QUESTION OF WHETHER TENNESSEE'S HANDBAGS NICARAGUAN OPERATION IS TAKING EMPLOYMENT AWAY FROM U.S. GARMENT WORKERS.
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